

Management Action Plan – VO1

Specific – Measurable – Achievable – Relevant – Timely

Student Name: Tom Cecil

Dealership: Glenn Freedom CDJR

Class & Student Number: N385

Current situation or challenge you want to address (narrow your focus):

Inventory Turn. We have a few issues plaguing our ability to turn our inventory at the clip we need to to maximize profitability. We are not selective enough with what we purchase. We have too much core product, not necessarily what sells. Lastly, we have a major issue with throughput in the Internal Reconditioning Dpt.

Overall objective (goal) and specific desired results:

GOAL: Improve turn to 12 x per year from current 8.77. This will provide an immediate boost to gross and GROI due to higher front end grosses and lower holding costs. Currently, our holding cost on a used investment is \$91/day. Average days in stock is 32 days. If we get that down to more like 21 days, we will see a minimum increase of the holding cost times the difference (\$1001).

Describe your action plan in detail (including before and after measurements):

1. Inventory Selection: our current inventory is roughly 50% Purchase Units. That is okay, but we need to be more choosy about what we purchase. Current inventory is 141 cars – 21 Platinum, 55 Gold, 23 Silver, 24 Bronze, 8 no score. We have some solid “bananas”, but need to be particularly aggressive with pricing strategy and service process to get them thru.
2. Service Process: Begin a process with service manager and internal reconditioning manager whereby the order is determined by investment quality. If a car has a high day supply and is a “brown banana”, let’s get it thru first and to line very quickly. This increases the likelihood that GROI is better. Eliminates risk/holding cost, at least curtails it.
3. Pricing Strategy: To that same end, we need to understand that our best investments are measurable with certain metrics in vAuto. Dial in to pricing strategy based on

ProfitTime and focus very much as Days' Supply. This, coupled with a close eye on age and turn time in the shop, will eliminate aging issues and unnecessary holding costs.

4. Wholesale Strategy: Have an exit strategy WHEN WE ACQUIRE THE VEHICLE. Far too often, we hurt or turn and our GROI by trading for a vehicle, servicing it, advertising it, and then dumping it at auction after 60 days or more. If the average amount per RO internal is \$1250, and our holding cost is \$91/day, we are absolutely decimating our profit opportunities on certain pieces. If it's something with a high day supply and/or profit time (or we have a history of failure with it), then we need to plan to wholesale it right away. In this market, you can't hit a trade too low, because you'll never get it. BUT, you can put the right money in it, and then dump it quickly to eliminate the unneeded expenses. Get the deal, get the trade, and then get out of it quickly.
5. Marketing: Spotlight Ads for brown bananas/poor investments. Pricing will be dialed in, so photo management, photo banners, and descriptions must be above board to ensure we get desired results.

Timeline: What is your implementation date? Describe specific short-term and long-term checkpoints to monitor progress.

Implementation date: 12/1/2021

Specific Measures:

1. UCM pay will be tied to turn and gross – will be reviewed each month with financial statement and reports from vAuto. Turn the used car manager into an investment manager and hope he doesn't leave for Edward Jones.
 - a. Bonus Structure: at 10 turns/year - \$500. 12/year = \$1000. \$500 increase for every +1 increase. EX: 14 turns year = \$2000 bonus at EOM.
2. Internal service manager bonus – time to front line 5 days or less. NOTE: Specific report will need to be created to ensure that the UCM and ISM are taking days' supply and ProfitTime score into account. Service the brown bananas first. This needs to be measured weekly. Progress can be tracked.
3. Study effectiveness of marketing strategy – thru 3rd party and internal reporting.

Interim Goal Schedule:

1/1/21: Reiteration of goals to the team. Snapshot of before and after. Increases should be happening in turn and improved processes in place to ensure quicker time to front line, photos online quickly, etc.

2/1/21: Should be making major progress. Need to be at a minimum of 10 turns per year.

3/1/21: Desired results should be obtainable by this date: quarterly objective. If the team is able to meet the goal of 12+ turns per year and has established good habits in doing so, they will be rewarded with a manager dinner and a financial incentive (probably \$500/each).

GROI will be discussed at each of the meetings. If handled properly, service gross should be up too, as the sales dept will happily pay more to get the product delivered faster. We have already gotten everyone thinking in terms of holding costs. Our new internal service manager considers that one of the most important things he looks at. He knows how much it costs to have a car in the shop for any extended time and it motivates him to move it out quickly. That is already a huge advantage. So now, we need to get the cars moved thru in a healthy order, so that the brown bananas don't spoil and turn into negative deals/investments.

Meeting with Stakeholders (dealership personnel):

Describe what behavior change is needed to support desired goal. Address required coaching, training and/or consequences, including timelines / accountability / process monitoring activity.

1. Who: UCM, Internal Service Manager, GSM, GM, Technicians, Photo Team.
2. What: Training. Cohesion. Buy In. Process
3. By When: 3/1/21 – Quarterly goal to increase turn to 12x minimum
4. How: Action plan outlined above.
 - a. Incentivize Pay plans to get desired result
 - b. Stock inventory that is worthwhile, solid investment
 - i. Be realistic with high day supply inventory and treat it as a riskier investment
 1. Service them faster
 2. Move them to market/front line quicker
 - c. Meet with team to review progress and point out successes as well as point out areas of opportunity. Continue to record progress on a shared document that all can access daily. Meet once a week to review it, but make sure the data can be seen every single day, by all parties. AWARENESS increases results, especially when everyone can see and share the same vision.

